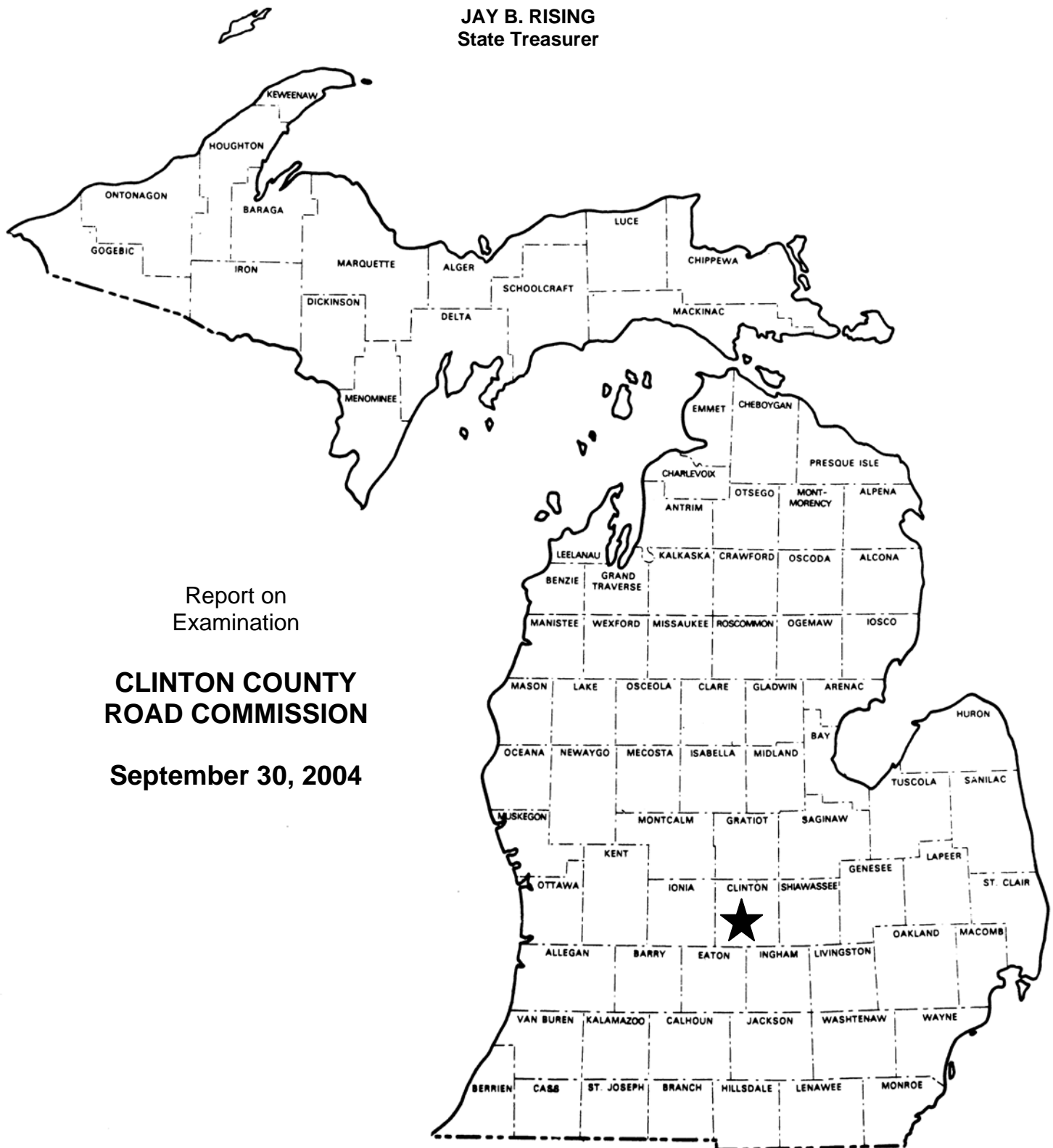


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**

JAY B. RISING  
State Treasurer



Report on  
Examination

**CLINTON COUNTY  
ROAD COMMISSION**

**September 30, 2004**

Local Audit and Finance Division  
Bureau of Local Government Services

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CLINTON COUNTY ROAD COMMISSION  
BOARD OF COUNTY ROAD COMMISSIONERS

Donald J. Sisung  
Chairman

Russel Bauerle  
Vice Chairman

Francis Trierweiler  
Member

Michael M. Nobach  
Managing Director

Daniel Armentrout  
County Highway Engineer

Patricia E. Wysong  
Director of Finance/Clerk

COUNTY POPULATION--2000  
64,753

STATE EQUALIZED VALUATION--2004  
\$2,452,374,519



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

February 21, 2005

Board of County Road Commissioners  
Clinton County  
3535 South US 27  
St. Johns, Michigan 48879

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities of the Clinton County Road Commission, a component unit of Clinton County, Michigan, as of and for the year ended December 31, 2004, which comprises the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clinton County Road Commission as of December 31, 2004 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 9 and budget comparison information on pages 28 through 29 are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2005 on our consideration of the Road Commission's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Clinton County Road Commission's basic financial statements. The accompanying supplemental and related information presented as Exhibits G through K is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is centered above the printed name.

Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# CLINTON COUNTY ROAD COMMISSION

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## CLINTON COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Clinton County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2004. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of their finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

#### **Overview of the Financial Statements**

This annual report consists of four parts--Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

#### **Reporting the Road Commission as a Whole**

##### Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's

## CLINTON COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

activities. The Statement of Net Assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads and changes in the law related to the gas taxes and its distribution.

Our discussion and analysis of Clinton County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2004. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of their finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

#### Fund Financial Statements

The Road Commission currently has only one fund, the General Operations Fund, in which all of the Road Commission's activities are accounted. The General Operations Fund is a governmental fund type. The fund financial statements begin with Exhibit A and provide detailed information about the major fund.

The Governmental Fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Fund in a reconciliation following the fund financial statements.



# CLINTON COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased from \$47,844,522 to \$50,769,901 for the year ended December 31, 2004. The net assets and change in net assets are summarized below:

#### Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The increase in capital assets was due to an increase of \$142,779 of subdivision road right-of-way accepted into the public road system, \$362,866 in land improvement expenditures on the road system, \$2,311,615 in net addition to the infrastructure system, and \$170,887 in net equipment expense.

The increase in noncurrent liabilities was due to a \$73,698 increase in State trunkline advances for equipment, \$7,500 decrease in the Piggott Pit gravel purchase contract, and \$8,545 increase in the vested employee benefits payable for 2004.

Net assets as of year ended December 31, 2004 follows:

	<u>2003</u>	<u>2004</u>	<u>Favorable (Unfavorable) Variance</u>	<u>Variance %</u>
Current and Other Assets	\$ 3,361,585	\$ 4,528,666	\$ 1,167,081	34.72%
Net Capital Assets	<u>45,862,786</u>	<u>47,764,090</u>	<u>1,901,304</u>	<u>4.15%</u>
Total Assets	<u>49,224,371</u>	<u>52,292,756</u>	<u>3,068,385</u>	<u>6.23%</u>
Noncurrent Liabilities	921,155	995,898	(74,743)	-8.11%
Other Liabilities	<u>458,694</u>	<u>526,955</u>	<u>(68,261)</u>	<u>-14.88%</u>
Total Liabilities	<u>1,379,849</u>	<u>1,522,853</u>	<u>(143,004)</u>	<u>-10.36%</u>
Net Assets				
Invested in Capital Assets				
Net of Debt	45,832,786	47,741,590	1,908,804	4.16%
Restricted	<u>2,011,736</u>	<u>3,028,311</u>	<u>1,016,575</u>	<u>50.53%</u>
Total Net Assets	<u>\$47,844,522</u>	<u>\$50,769,901</u>	<u>\$ 2,925,379</u>	<u>6.11%</u>

## CLINTON COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Changes in Net Assets

The net increase in total revenue was due to \$4,630 less in permit fees related to a decrease in drive permit applications, \$1,024,309 increase in Federal grants and \$897,595 increase in State grants related to Federal/State funded projects, \$89,976 increase in contributions from local units mainly contributed by township participation in projects, \$112,179 increase in charges for services related to trunkline maintenance expenditures and trunkline insurance payments due from prior year settlement and audit adjustments, \$27,001 increase in investment earnings related to increase interest rates and an increased cash balance due to establishment of a building fund and a discretionary fund, and \$592,754 decrease in private contributions related to a decrease in subdivision roads accepted into the public road system.

The net increase in total expenses was due to a \$37,849 increase in road maintenance costs primarily attributable to snow removal, \$74,372 increase in state trunkline maintenance costs, \$504,767 increase in net equipment expense related to depreciation and purchasing more equipment than was removed, \$13,460 increase in administrative expense due mainly to increased depreciation expense, \$96,940 increase in nonroad project cost mainly attributable to road reconstruction of Grange Road within the Village of Westphalia, and \$3,894 increase in drainage district due to an increase in the county at-large drain assessment.

# CLINTON COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in net assets for the year ended December 31, 2004 follows:

	2003	2004	Favorable (Unfavorable) Variance	Variance %
Program Revenue				
License and Permits	\$ 102,925	\$ 98,295	\$ (4,630)	-4.50%
Federal Grants	441,950	1,466,259	1,024,309	231.77%
State Grants	5,968,086	6,865,681	897,595	15.04%
Contributions From Local Units	1,548,748	1,638,724	89,976	5.81%
Charges for Services	1,283,935	1,396,114	112,179	8.74%
Investment Earnings	17,711	44,712	27,001	152.45%
Refunds and Rebates	12,845	376	(12,469)	-97.07%
Private Contributions	2,053,854	1,461,100	(592,754)	-28.86%
General Revenue			-	
Gain on Equipment Disposal	37,943	71,517	33,574	88.49%
Total Revenue	<u>11,467,997</u>	<u>13,042,778</u>	<u>1,574,781</u>	<u>13.73%</u>
Expenses				
Primary Road Maintenance	1,700,963	1,449,996	(250,967)	-14.75%
Local Road Maintenance	3,249,089	3,462,027	212,938	6.55%
State Trunkline Maintenance	1,156,288	1,230,660	74,372	6.43%
Net Equipment Expense	(366,645)	138,122	504,767	-137.67%
Net Administrative Expense	452,142	465,602	13,460	2.98%
Infrastructure Depreciation	3,298,675	3,156,876	(141,799)	-4.30%
Nonroad Project	48,860	145,800	96,940	198.40%
Drainage District	53,477	57,371	3,894	7.28%
Compensated Absences	59,924	8,545	(51,379)	-85.74%
Interest Expense	3,000	2,400	(600)	-20.00%
Total Expenses	<u>9,655,773</u>	<u>10,117,399</u>	<u>461,626</u>	<u>4.78%</u>
Increase in Net Assets	<u>\$ 1,812,224</u>	<u>\$ 2,925,379</u>	<u>\$ 1,113,155</u>	<u>61.42%</u>

# CLINTON COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### The Road Commission's Fund

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county that are earmarked by law for road and highway purposes.

For the year ended December 31, 2003, program revenues exceeded program expenditures by \$286,351, while 2004 resulted an excess of \$2,925,380 of program revenue over program expenditures mainly as a result of Federal grant funds received for Federal aid projects related to prior year expenditures, and an increase in Michigan Transportation Funds of which \$674,316 has been set aside in a discretionary fund in anticipation of reduced revenue once trailer license purchases diminish. The reduced revenue from trailer license plates is related to legislation changes in 2003 allowing for a one time purchase of trailer license plates.

A summary of changes in the operating fund is as follows:

	2003	2004	Favorable (Unfavorable) Variance	Variance %
Revenues				
License and Permits	\$ 102,925	\$ 98,295	\$ (4,630)	-4.50%
Federal Grants	441,950	1,466,259	1,024,309	231.77%
State Grants	5,968,086	6,865,681	897,595	15.04%
Contributions From Local Units	1,548,748	1,638,724	89,976	5.81%
Charges for Services	1,283,935	1,396,114	112,179	8.74%
Investment Earnings	17,710	44,712	27,002	152.47%
Other Revenue	2,104,642	1,532,993	(571,649)	-27.16%
Total Revenue	<u>11,467,996</u>	<u>13,042,778</u>	<u>1,574,782</u>	<u>13.73%</u>
Expenditures				
Public Works	10,592,375	11,345,277	752,902	7.11%
Capital Outlay	578,770	662,481	83,711	14.46%
Debt Service	10,500	9,900	(600)	-5.71%
Total Expenditures	<u>11,181,645</u>	<u>12,017,658</u>	<u>836,013</u>	<u>7.48%</u>
Excess Revenues Over Expenditures	286,351	1,025,120	738,769	257.99%
Fund Balance Beginning	<u>2,305,995</u>	<u>2,592,346</u>	<u>286,351</u>	<u>12.42%</u>
Fund Balance Ending	<u>\$ 2,592,346</u>	<u>\$ 3,617,466</u>	<u>\$ (1,025,120)</u>	<u>-39.54%</u>

CLINTON COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Budgetary Highlights**

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2004 was \$118,594 lower than the original budget, primarily due to the requirement for road commissions to include accrued Michigan Transportation Funds received in January 2005 and February 2005. There was also an increase in other revenue due to new subdivision roads accepted into the county road system. The actual revenue recognized during 2004 was greater than the final amended budget by \$147,240, with \$1,433,469 as a result of developer contributions for subdivision roads accepted into the public road system.

The final amended expenditure budget for 2004 was \$378,675 lower than the original budget, primarily due to Federal aid projects budgeted but not completed by the end of the year. There was also an increase in road maintenance expenditures of \$1,284,886 as a result of an increase in township contributions and increased snow removal costs. The actual expenditures recognized during 2004 were less than the final amended budget by \$617,799. This deficit of expenditures over budgeted projections was due primarily to Federal aid road and bridge projects not completed in the amount of \$890,549.

Capital Assets

As of December 31, 2004, the Road Commission had invested \$662,481 in capital assets and \$5,395,469 in infrastructure assets including the addition of 2.55 miles of newly constructed public roadway. This amount represents a net increase (including additions and deductions) of \$2,870,663 as follows:

# CLINTON COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	2003	2004	Favorable (Unfavorable) Variance	Variance %
Capital Assets Not being Depreciated				
Land	\$ 283,750	\$ 283,750	-	0.00%
Land Improvements	3,825,675	4,188,541	\$ 362,866	9.49%
Construction in Progress	440,046	582,825	142,779	32.45%
Subtotal	4,549,471	5,055,116	505,645	11.11%
Capital Assets Being Depreciated				
Buildings	1,735,798	1,735,798	-	0.00%
Depletable Assets	63,115	63,115	-	0.00%
Equipment	5,276,899	5,447,786	170,887	3.24%
Infrastructure	66,903,550	68,094,639	1,191,089	1.78%
Subtotal	73,979,362	75,341,338	1,361,976	1.84%
Total Capital Assets	78,528,833	80,396,454	1,867,621	2.38%
Total Accumulated Depreciation	32,666,049	32,632,364	(33,685)	-0.10%
Total Net Capital Assets	<u>\$45,862,784</u>	<u>\$47,764,090</u>	<u>\$ 1,901,306</u>	<u>4.15%</u>

This year's major capital assets additions included the following:

Various Resurfacing Projects and Related ROW	\$5,395,469
Trucks/Equipment	644,674
Yard Equipment	10,207
Office and Engineering Equipment	<u>7,600</u>
Total Additions	<u>\$6,057,950</u>

During 2004, the Road Commission traded in and/or disposed of equipment with a purchase amount of \$791,595 and related depreciation of \$483,629 with a net book value of \$7,966. A total of \$3,698,735 of infrastructure assets fully depreciated were removed from the capital asset account.

In 2005, we are projecting the purchase of 2 tandem trucks with plows, 1 grader, 3 pickups, 2 trailers, 1 mower, 1 arrow board, miscellaneous shop equipment of \$24,200, computers and office equipment of \$14,675, miscellaneous engineering equipment of \$1,450, and a proposed sewer connection estimated at \$100,000 for a total of \$713,125.

CLINTON COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At the end of the year, the Road Commission had paid \$7,500 in principal on a purchase agreement for gravel reducing the balance to \$22,500.

Other obligations include accrued vacation pay and sick leave in the amount of \$589,155 at the end of 2004.

**Economic Factors and Next Year's Budget**

The board of county road commissioners considered many factors when setting the fiscal year 2005 budget. One of the factors is the economy. The Road Commission derives approximately 49% of its revenues from the fuel tax and license plate fees collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive \$160,157 (2.5%) less Michigan Transportation Fund revenue in 2005. The Road Commission received approximately 12.2% of its revenues from township contributions during 2004, this amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate in. During 2005, we expect to receive \$2,964,766 in Federal and State aid for road projects if they are completed during the 2005 construction season.

The above items were considered when adopting the budget for 2005. Amounts available for appropriation in the budget are \$12,525,891, a decrease of 2.8% over the 2004 budget of \$12,895,538.

**Contacting the Commission's Financial Management**

The financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Clinton County Road Commission Director of Finance at 3536 South BR-127, St. Johns, MI 48879.

**CLINTON COUNTY ROAD COMMISSION**  
**STATEMENT OF NET ASSETS**  
**December 31, 2004**

**EXHIBIT A**

**ASSETS**

Cash	\$ 2,880,062
Accounts Receivable	
Sundry Accounts	36,861
State--Trunkline Maintenance	166,954
Michigan Transportation Fund	1,001,458
Due on County Road Agreements	20,520
Inventories	
Road Materials	295,915
Equipment Parts and Materials	115,165
Deferred Expenses	11,729
Capital Assets (Net of Accumulated Depreciation)	<u>47,764,090</u>
Total Assets	<u>52,292,754</u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	64,356
Due to State of Michigan	133,088
Accrued Liabilities	45,232
Performance Bonds Payable	284,279
Noncurrent Liabilities	
State Trunkline Advances	384,243
Installment Purchase Agreements Payable--Due Within One Year	7,500
Installment Purchase Agreements Payable--Due in More Than One Year	15,000
Vested Employee Benefits Payable	<u>589,155</u>
Total Liabilities	<u>1,522,853</u>

**NET ASSETS**

Investment in Capital Fixed Assets, Net of Related Debt	47,741,590
Restricted for County Roads	<u>3,028,311</u>
Total Net Assets	<u>\$50,769,901</u>

**The Notes to Financial Statements are an integral part of this statement.**



**CLINTON COUNTY ROAD COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

**EXHIBIT B**

Program Expenses	
Primary Road Maintenance	\$ 1,449,996
Local Road Maintenance	3,462,027
State Trunkline Maintenance	1,230,660
Net Equipment Expense	138,122
Net Administrative Expense	465,602
Work for Other Agencies	145,800
Infrastructure Depreciation	3,156,876
Drainage District	57,371
Compensated Absences	8,545
Interest Expense	2,400
	<hr/>
Total Program Expenses	10,117,399
	<hr/>
Program Revenue	
Charges for Services	
Licenses and Permits	98,295
Charges for Services	1,396,114
Refunds and Reimbursements	376
Operating Grants and Contributions	
Michigan Transportation Funds	6,406,289
Investment Earnings	44,712
Capital Grants and Contributions	
Federal Grants	1,466,259
State Grants	459,391
Contributions From Local Units	1,638,724
Private Contributions	1,461,100
	<hr/>
Total Program Revenue	12,971,261
	<hr/>
Net Program Revenue	2,853,862
	<hr/>
General Revenue	
Gain on Disposal of Capital Assets	71,517
	<hr/>
Total General Revenues	71,517
	<hr/>
Change in Net Assets	2,925,379
	<hr/>
Net Assets	
Beginning of Year	46,875,163
Restatement to Beginning of Year Net Assets (Note M)	969,359
	<hr/>
End of Year	\$ 50,769,901
	<hr/>

**The Notes to Financial Statements are an integral part of this statement.**

**CLINTON COUNTY ROAD COMMISSION  
BALANCE SHEET  
DECEMBER 31, 2004**

**EXHIBIT C**

	<b>GOVERNMENTAL FUND TYPE</b>
	<u>General Operating Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 2,880,062
Accounts Receivable	
State Trunkline Maintenance	166,954
Michigan Transportation Fund	1,001,458
Due on County Road Agreements	20,520
Sundry Accounts	36,861
Inventories	
Road Materials	295,915
Equipment Parts and Materials	115,165
Deferred Expense	<u>11,729</u>
Total Assets	<u><u>\$ 4,528,664</u></u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities	
Accounts Payable	\$ 64,356
Accrued Liabilities	45,232
Due to State of Michigan	133,088
Performance Bonds Payable	284,279
Advances From State	<u>384,243</u>
Total Liabilities	<u>911,198</u>
Fund Equities	
Fund Balance	
Reserved for Inventory	411,080
Unreserved and Undesignated	<u>3,206,386</u>
Total Fund Equities	<u>3,617,466</u>
Total Liabilities and Fund Equities	<u><u>\$ 4,528,664</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**CLINTON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE BALANCE SHEET FUND  
BALANCES TO THE STATEMENT OF NET ASSETS  
For the Year Ended December 31, 2004**

**EXHIBIT D**

Total Governmental Fund Balance	\$ 3,617,466
---------------------------------	--------------

Amounts reported for governmental activities in the Statement of Net Assets are  
are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	47,764,090
--	------------

Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	<u>(611,655)</u>
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Net Assets of Governmental Activities	<u><u>\$50,769,901</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**

**CLINTON COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2004**

**EXHIBIT E**

	<u>Operating Fund</u>
Revenues	
License and Permits	\$ 98,295
Federal Aid	1,466,259
State Aid	6,865,681
Contributions From Local Units	1,638,724
Charges for Services	1,396,114
Interest and Rents	44,712
Other Revenue	<u>1,532,993</u>
Total Revenues	<u>13,042,778</u>
Expenditures	
Public Works	11,345,277
Capital Outlay	662,481
Debt Service	<u>9,900</u>
Total Expenditures	<u>12,017,658</u>
Excess of Revenues Over (Under) Expenditures	<u>1,025,120</u>
Fund Balance--January 1, 2004	<u>2,592,346</u>
Fund Balance--December 31, 2004	<u><u>\$ 3,617,466</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**CLINTON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2004**

**EXHIBIT F**

Net Change in Fund Balance--Total Governmental Funds	\$1,025,120
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Amounts reported for governmental activities in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,901,304
Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.	

Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets.	7,500
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and decrease in interest expense)	(8,545)
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Change in Net Assets of Governmental Activities	<u><u>\$2,925,379</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**

## CLINTON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

The accounting policies of the Clinton County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Clinton County Road Commission.

#### NOTE A--REPORTING ENTITY

The Clinton County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the county's approval and property tax levies for road purposes are subject to county board of commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Clinton County Road Commission, a discretely presented component unit of Clinton County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Clinton County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

## CLINTON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

##### Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods or services or privileges provided; 2) Michigan Transportation Funds (MTF), State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

##### Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation Funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

##### Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Inventories

Inventories are priced at cost as determined by the average unit cost method. An adjustment to inventory charged was made during 2003 due to the computer charging on a "first-in-first-out" basis, since it is the Road Commission's practice to charge by the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Clinton County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Schedule C equipment has no minimum cost, however. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

#### Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	5 to 30 years
Infrastructure--Bridges	12 to 50 years

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Operating Fund Statement of Net Assets.



# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. The Road Commission's chief fiscal administrative officer (Director of Finance) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and, subsequently, adopts an operating budget. Amendments to the budget are made only with board approval. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

### NOTE D--CASH AND DEPOSITS

Deposits are carried at cost. Deposits of the County Road Fund are made in various banks in the name of the Clinton County Treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Road Commission deposits are in accordance with statutory authority.

The Road Commission has adopted an investment policy in accordance with the requirements of Public Act 196 of 1997.

The Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations. The risk disclosures for the Road Commission deposits, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

<u>Deposits and Imprest Cash</u>	<u>Carrying Amount</u>	<u>Financial Institution Balance</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured	2,679,962	2,753,090
Imprest Cash	100	
Total Deposits and Imprest Cash	<u>\$ 2,880,062</u>	<u>\$ 2,953,090</u>

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--LONG-TERM DEBT

The long-term debt of the Road Commission may be summarized as follows:

	<u>Balance 01/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 12/31/04</u>	<u>Due Within One Year</u>
Installment Purchase Contract				
\$75,500 Dated December 15, 1998	\$ 30,000	\$ (7,500)	\$ 22,500	\$ 7,500
Vested Employee Benefits				
Vacation, Sick Leave and Longevity	<u>580,610</u>	<u>8,545</u>	<u>589,155</u>	<u>          </u>
Totals	<u>\$ 610,610</u>	<u>\$ 1,045</u>	<u>\$ 611,655</u>	<u>\$ 7,500</u>

### Installment Purchase Contract

The installment purchase contract was entered into for aggregate sand and gravel. The agreement bears interest at 8% per annum and is payable as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,500	\$ 1,800	\$ 9,300
2006	7,500	1,200	8,700
2007	<u>7,500</u>	<u>600</u>	<u>8,100</u>
Total	<u>\$ 22,500</u>	<u>\$ 3,600</u>	<u>\$ 26,100</u>

### Vested Employee Benefits Payable

	<u>Balances 01/01/04</u>	<u>Additions (Reductions)</u>	<u>Balances 12/31/04</u>
Vested Employee Benefits			
Vacation Benefits	\$ 146,917	\$ 3,382	\$ 150,299
Sick Leave Benefits	322,036	3,804	325,840
Longevity	<u>111,657</u>	<u>1,359</u>	<u>113,016</u>
Total	<u>\$ 580,610</u>	<u>\$ 8,545</u>	<u>\$ 589,155</u>

## CLINTON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE E--LONG-TERM DEBT (Continued)

##### Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of an employee. Benefits earned by each employee are credited annually to his or her account on the anniversary date of employment. The maximum allowable accumulation is 240 hours. For administrative and office union employees, up to ½ of their accumulated vacation hours may be converted to cash within 6 months of their anniversary date. Road union employees may convert to cash in the week after their anniversary date. Union office and administrative employees would be paid zero if they leave without notice.

##### Sick Leave Benefits

The Road Commission's employment policies provide that every regular employee shall earn sick leave with pay at the rate of 2 hours per week, not to exceed 104 hours per year, with a maximum accumulation of 1,360 hours. Upon retirement or death, an employee shall be paid for all unused sick leave. One-half of accumulated sick leave shall be paid upon resignation of an employee. Payments to the employee or the named beneficiary shall be made at the prevailing rate of pay at the time of employment termination. Sick leave is recorded at 100% of maximum payable leave. Union office and administrative employees would be paid zero if they leave without notice.

##### Longevity Benefits

Administrative employees accumulate longevity of 24 to 48 hours per year, not to exceed 1056 hours maximum. Payment can be made at separation after 5 years of service. Longevity is recorded at 100% of maximum payable. Longevity is earned and can be sold on the anniversary date.

## CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

The following is a summary of the changes in the capital assets:

	Account Balances 01/01/04	Additions	Deductions	Account Balances 12/31/04
Capital Assets Not Being Depreciated				
Land	\$ 283,750			\$ 283,750
Infrastructure--Land/Right-of-Way	440,046	\$ 142,779		582,825
Infrastructure--Land Improvements	3,825,675	362,865		4,188,540
Subtotal	4,549,471	505,644	\$ -	5,055,115
Capital Assets Being Depreciated				
Buildings	1,735,798			1,735,798
Road Equipment	5,070,177	641,485	471,446	5,240,216
Shop Equipment	65,976	3,189		69,165
Office Equipment	116,001	5,810	16,298	105,513
Engineer's Equipment	24,745	1,790	3,851	22,684
Yard Equipment		10,207		10,207
Depletable Assets	63,115			63,115
Infrastructure--Bridges	23,017,584	602,047	106,696	23,512,935
Infrastructure--Roads	43,845,181	4,264,031	3,592,040	44,517,172
Infrastructure--Traffic Signals	40,785	23,747		64,532
Total	73,979,362	5,552,306	4,190,331	75,341,337
Less Accumulated Depreciation				
Buildings	781,680	44,986		826,666
Road Equipment	3,422,335	924,912	463,948	3,883,299
Shop Equipment	41,016	3,799		44,815
Office Equipment	69,282	16,660	15,830	70,112
Engineer's Equipment	22,017	679	3,851	18,845
Yard Equipment		766		766
Reserve for Depletable Assets	40,473			40,473
Infrastructure--Bridges	10,562,013	542,532	106,696	10,997,849
Infrastructure--Roads	17,719,606	2,614,031	3,592,040	16,741,597
Infrastructure--Traffic Signals	7,627	313		7,940
Total	32,666,049	4,148,678	4,182,365	32,632,362
Net Capital Assets Being Depreciated	41,313,313	5,552,306	4,156,644	42,708,975
Total Net Capital Assets	\$ 45,862,784	\$ 6,057,950	\$ 4,156,644	\$ 47,764,090

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS (Continued)

Note: The January 1, 2004 account balances for Infrastructure--Bridges and Accumulated Depreciation--Infrastructure--Bridges include \$1,120,526 and \$151,169 adjustments, respectively, for a net adjustment of \$969,357, to correct a prior year error in recording the bridge infrastructure inventory. The adjustment restates the January 1, 2004 account balances for Infrastructure--Bridges from \$21,897,058 to \$23,017,584, and for Accumulated Depreciation--Infrastructure--Bridges from \$10,410,844 to \$10,562,013, respectively; and restates Total Net Capital Assets at January 1, 2004 from \$44,893,427 to \$45,862,784.

Depreciation expense was charged to the following activities:

	<u>Amount</u>
Net Equipment Expense	
Direct Equipment	\$ 924,912
Indirect Equipment	
Buildings	29,032
Shop Equipment	3,799
Yard Equipment	766
Distributive Expense	
Buildings	11,730
Net Administrative Expense	
Buildings	4,224
Engineers Equipment	679
Office Equipment and Furniture	16,660
Infrastructure	<u>3,156,876</u>
Total Depreciation Expense	<u><u>\$4,148,678</u></u>

### NOTE G--DEFERRED COMPENSATION PLAN

The Clinton County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457 with PEBSCO. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--EMPLOYEES' RETIREMENT SYSTEM

#### Description of Plan and Plan Assets

The Clinton County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for all qualified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC) with 5-year averaging for office and road union and 3-year averaging for administrative, with a maximum benefit of 80% of the FAC. Administrative retirees have a benefit 'E' plan allowing for a 2% annual increase. The most recent period for which actuarial data was available was for the year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851; MCL 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

#### Funding Policy

The Road Commission is required to contribute at an actuarially determined rate. Based on the 2001 actuarial valuation, the 2003 rate for general-union/AFLCIO, administrative salary and administrative hourly employees was 6.35%, 9.89% and 11.34%, respectively, of annual compensation. For 2004, the actuarial valuation was based on the 2002 rate for general-union/AFLCIO, administrative salary and administrative hourly employees which was 6.88%, 10.91% and 8.35%, respectively, of annual compensation. Each member is required to contribute 3% of his or her annual compensation and 3% was paid by the employees for both years.

#### Annual Pension Cost

During the year ended December 31, 2004, the Road Commission's contributions totaled \$201,109 and the employee contributions totaled \$74,330, and were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002 and 3% employee share. The amount paid in 2003 was \$181,186 for the employer contribution and \$72,087 for the employee contributions, and was made in accordance with the actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

#### Three Year Trend Information for GASB Statement No. 27

<u>Ended December 31</u>	<u>Pension Cost (APC)</u>	<u>Of APC Contributed</u>	<u>Pension Obligation</u>
2001	\$ 156,875	100%	\$0
2002	208,823	100%	\$0
2003	253,273	100%	\$0

#### Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/01	\$ 9,147,542	\$ 9,639,404	\$ 491,862	95%	\$ 2,232,686	22%
12/31/02	9,095,478	9,872,236	776,758	92%	2,335,984	33%
12/31/03	9,474,982	10,688,081	1,213,099	89%	2,401,406	51%

### NOTE I--POST-EMPLOYMENT HEALTH CARE BENEFITS

The Road Commission agrees to pay the full premium for hospitalization medical coverage for retired employees and their spouses, in accordance with the agreement between the Road Commission management and the American Federation of State, county, and municipal employees, AFL-CIO – Office Union employees must retire with a minimum of 25 years of service and age 55 to be eligible for Road Commission paid health insurance for the retiree and spouse. If the retired employee wishes to purchase full family coverage, he shall pay the difference between the two-person and the full family rate. This provision applies to employees who retire after January 1, 1975 and who qualify under the MERS retirement program. Upon death of the retired employee, the Road Commission agrees to continue the above stated hospitalization insurance for the surviving spouse. For administrative employees, the Road Commission agrees to pay the full premium for hospitalization medical coverage for retired employees and their spouses. If an employee dies with 20 years service time, the spouse is covered. Expenditures are recognized on a pay as you go basis as premiums come due. During 2004, 42 retirees and/or spouses were eligible for benefits, and \$280,482 was recognized for post-employment health insurance

## CLINTON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE J--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits' claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

The Michigan County Road Commission Self-Insurance Pool Program (Pool) operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason, the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

#### NOTE K--CONTINGENT LIABILITIES

The Road Commission, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Road Commission's insurance carrier estimates that the potential claims against the Road Commission, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Road Commission.

#### NOTE L--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2004, the Federal aid received and expended by the Road Commission was \$1,466,259 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.



# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE L--FEDERAL GRANTS (Continued)

During the calendar year ended December 31, 2004, the Road Commission did not receive any Federal grants for negotiated projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not performed during for the calendar year ended December 31, 2004.

### NOTE M--CORRECTION OF AN ERROR--NET ASSETS

The December 31, 2003 net assets did not include \$969,359 of net assets for Infrastructure--Bridges less Accumulated Depreciation--Infrastructure--Bridges. See note F for more details. Listed below is the effect on the net assets at December 31, 2003:

	Original 12/31/03	Correction	Adjusted 12/31/03
Net Assets			
Investment in Capital Assets			
Net of Related Debt	\$44,863,427	\$ 969,359	\$45,832,786
Restricted for County Roads	2,011,736		2,011,736
Total Net Assets	<u>\$46,875,163</u>	<u>\$ 969,359</u>	<u>\$47,844,522</u>

### NOTE N--STATE TRUNKLINE MAINTENANCE REVENUE

The difference between the State trunkline maintenance revenues of \$1,293,530 and expenditures of \$1,230,660 is the result of the Michigan Department of Transportation (MDOT) trunkline maintenance analysis for the 2001 calendar year which resulted in a net adjustment amount of \$62,879 due to the county.

**CLINTON COUNTY ROAD COMMISSION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended December 31, 2004**

**EXHIBIT G**

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
License and Permits				
Permits	\$ 85,000	\$ 98,295	\$ 98,295	-
Federal Aid				
Surface Transportation Program	1,684,280	996,925	996,924	\$ (1)
Hazard Elimination Safety	294,640	43,047	43,046	(1)
Critical Bridge	741,000	426,290	426,289	(1)
Economic D Funds	800,000	23,984	-	(23,984)
State Aid				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	3,555,366	3,579,312	3,753,163	173,851
Local Road	2,021,074	2,021,074	2,011,783	(9,291)
Primary Urban Road	431,327	431,327	459,533	28,206
Local Urban Road	154,045	154,045	171,811	17,766
Critical Bridge	143,660	107,745	79,929	(27,816)
Economic Development Funds				
"D" Funds	52,300	390,153	379,462	(10,691)
Contributions--Local Units				
Cities and Villages	24,300	35,851	35,816	(35)
Townships	1,600,000	1,590,053	1,590,053	-
Other	-	12,856	12,855	(1)
Charges for Services				
State Trunkline Maintenance	1,155,400	1,293,530	1,293,530	-
State Trunkline Nonmaintenance	-	2,033	2,033	-
Service Charges	133,600	100,817	100,551	(266)
Interest and Rents				
Interest Earned	25,000	43,075	43,074	(1)
Property Rentals	1,640	1,640	1,638	(2)
Other Revenue				
Private Contributions	-	1,461,119	1,461,100	(19)
Gain on Equipment Disposal	101,500	71,990	71,517	(473)
Refunds and Reimbursements	-	377	376	(1)
Total Operating Revenue	13,014,132	12,895,538	<u>\$13,042,778</u>	<u>\$ 147,240</u>
Fund Balance--January 1, 2004	2,350,596	2,592,346		
Total Budget	<u>\$15,364,728</u>	<u>\$15,487,884</u>		

**CLINTON COUNTY ROAD COMMISSION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended December 31, 2004**

**EXHIBIT H**

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Construction	\$ 233,000	\$ 138,951	-	\$ 138,951
Heavy Maintenance	3,341,900	2,517,527	\$ 2,431,389	86,138
Maintenance	793,366	1,449,133	1,449,131	2
Local Road				
Construction	-	1,372,418	1,372,417	1
Heavy Maintenance	270,000	989,616	989,616	-
Maintenance	2,774,318	3,375,545	3,375,542	3
Primary Road Structure				
Heavy Maintenance	2,700	2,518	-	2,518
Maintenance	10,034	965	865	100
Local Road Structure				
Heavy Maintenance	1,068,700	623,542	602,047	21,495
Maintenance	49,524	86,486	86,485	1
State Trunkline Maintenance	1,155,400	1,230,660	1,230,660	-
Equipment Expense--Net	(391,115)	177,211		
Direct			\$ 1,369,430	
Indirect			692,042	
Operating			272,323	
Less: Equipment Rentals			<u>(2,195,673)</u>	
			138,122	39,089
Distributive Expenditures	2,625,180			
Administrative Expense--Net	396,651	495,329		
Administrative Expense			579,756	
Less: Handling Charges			(31)	
Overhead--State			(108,133)	
Overhead--Other			(364)	
Purchase Discounts			<u>(5,626)</u>	
			465,602	29,727
Work for Other Agencies	-	145,801	145,800	1
Capital Outlay--Net	79,700	(87,517)		
Capital Outlay			662,481	
Less: Depreciation Credits			(991,802)	
Equipment Retirements			<u>(7,967)</u>	
			(337,288)	249,771
Debt Service				
Principal	7,500	7,500	7,500	-
Interest	2,400	2,400	2,400	-
Drainage District	57,000	57,372	57,370	2
Contingencies	<u>537,874</u>	<u>50,000</u>		<u>50,000</u>
Total Expenditures	13,014,132	12,635,457	<u>\$ 12,017,658</u>	<u>\$ 617,799</u>
Fund Balance--December 31, 2004	<u>2,350,596</u>	<u>2,852,427</u>		
Total Budget	<u>\$ 15,364,728</u>	<u>\$ 15,487,884</u>		

**CLINTON COUNTY ROAD COMMISSION  
ANALYSIS OF CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2004**

**EXHIBIT I**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 5,675,111	\$ 5,752,288	\$1,615,379	\$13,042,778
Total Expenditures	4,104,206	6,828,980	1,084,472	12,017,658
Excess of Revenues Over (Under) Expenditures	1,570,905	(1,076,692)	530,907	1,025,120
Other Financing Sources (Uses) Optional Transfers	(1,263,809)	1,263,809		-
Total Other Financing Sources (Uses)	(1,263,809)	1,263,809	-	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	307,096	187,117	530,907	1,025,120
Fund Balance--January 1, 2004	669,581	651,360	1,271,405	2,592,346
Fund Balance--December 31, 2004	\$ 976,677	\$ 838,477	\$1,802,312	\$ 3,617,466

**CLINTON COUNTY ROAD COMMISSION**  
**ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES**  
**For the Year Ended December 31, 2004**

**EXHIBIT J**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
License and Permits				
Permits	\$ 25,360	\$ 24,672	\$ 48,263	\$ 98,295
Federal Aid				
Surface Transportation Program	996,924			996,924
Hazard Elimination Safety	43,046			43,046
Critical Bridge		426,289		426,289
State Aid				
Michigan Transportation Fund				
Engineering	6,510	3,490		10,000
Allocation	3,753,163	2,011,783		5,764,946
Urban Roads	459,533	171,811		631,344
Critical Bridge		79,929		79,929
Economic Development Funds				
"D" Funds	379,462			379,462
Contributions--Local Units				
Cities and Villages			35,816	35,816
Townships		1,590,053		1,590,053
Other			12,855	12,855
Charges for Services				
State Trunkline Maintenance			1,293,530	1,293,530
State Trunkline Nonmaintenance			2,033	2,033
Service Charges			100,551	100,551
Interest and Rents				
Interest Earned	11,113	10,811	21,150	43,074
Property Rentals			1,638	1,638
Other Revenue				
Private Contributions		1,433,450	27,650	1,461,100
Gain on Equipment Disposal			71,517	71,517
Refunds and Reimbursements			376	376
Total Operating Revenue	\$ 5,675,111	\$ 5,752,288	\$ 1,615,379	\$ 13,042,778

**CLINTON COUNTY ROAD COMMISSION**  
**ANALYSIS OF EXPENDITURES**  
**For the Year Ended December 31, 2004**

**EXHIBIT K**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Heavy Maintenance	\$2,431,389			\$ 2,431,389
Maintenance	1,449,131			1,449,131
Local Road				
Construction		\$ 1,372,417		1,372,417
Heavy Maintenance		989,616		989,616
Maintenance		3,375,542		3,375,542
Primary Road Structures				
Maintenance	865			865
Local Road Structures				
Heavy Maintenance		602,047		602,047
Maintenance		86,485		86,485
State Trunkline Maintenance			\$ 1,230,660	1,230,660
Equipment Expense--Net (Per Exhibit H)	28,274	74,848	35,000	138,122
Administrative Expense--Net (Per Exhibit H)	175,327	290,275		465,602
Work for Other Agencies			145,800	145,800
Capital Outlay--Net (Per Exhibit H)	-	-	(337,288)	(337,288)
Debt Service				
Principal	-	-	7,500	7,500
Interest	-	-	2,400	2,400
Drainage District	19,220	37,750	400	57,370
Total Expenditures	\$4,104,206	\$6,828,980	\$ 1,084,472	\$12,017,658



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

February 21, 2005

Board of County Road Commissioners  
Clinton County  
3535 South US 27  
St. Johns, Michigan 48879

RE: Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of the Clinton County Road Commission, a component unit of Clinton County, as of and for the year ended December 31, 2004, and have issued our report thereon dated February 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether the Clinton County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the Clinton County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Clinton County Board of Road Commissioners, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division